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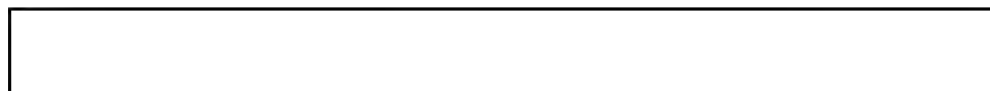


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MALTA-NATO: The North Atlantic Council yesterday made substantial progress toward putting together a cash package for the British to offer to Malta. Prime Minister Mintoff, meanwhile, has talked to the Libyans about the assistance they would be willing to offer.

Four NATO members--the UK, the US, the Netherlands, and Italy--have agreed to contribute a total of \$10 million toward the cash package. The British hope that the pledges of the other members will bring the package to \$15.6 million, and that it can be offered to Mintoff next week, along with a separate promise of development aid. Whether the cash package reaches the desired figure largely depends on the current maneuvering between the British and the West Germans. Bonn has said that it is ready in principle to pay its share of the cash contribution but it thinks London should bear a larger part of the burden. Mintoff's demands for an annual cash payment have ranged from \$48 to \$72 million.

As a result of recent high-level Maltese visits to Libya, the prospects for an imminent economic agreement between the two countries are good. Shortly after the return of the latest Maltese delegation, Mintoff himself made a surprise one-day visit Wednesday to Tripoli. His trip doubtless was intended to resolve problems which had prevented the signing of an agreement by the delegation.

[REDACTED] the two countries were on the verge of signing an agreement. At the last minute, however, a dispute developed within the Maltese delegation over an unspecified aspect of the agreement and Mintoff ordered it to return immediately for consultations.

Although the delegation member refused to be drawn out on the problem, he did express concern over the stability of the Libyan regime. He also mentioned that Tripoli had requested refueling rights in Malta for Libyan military aircraft and naval vessels. [REDACTED]

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MOROCCO: King Hassan has taken a first step toward coping with the manifold economic and social problems that underlay last month's coup attempt.

On Wednesday evening the King announced the dismissal of the director general of his personal staff and the entire council of ministers, including the prime minister. The new government, when it is formed, will be "provisional and transitional" to serve for about a year or 18 months. The King pledged that he would delegate to it executive authority to carry out a large-scale reform program, specifically citing the reorganization of commerce, industry, agriculture, and other economic activities to attain a more equitable distribution of wealth.

It is still unclear how far the King intends to go or whom he will tap to head this transitional government. Much will depend on whether he can persuade competent but respected Moroccans untainted by corruption to take on the task. A simple reshuffling of portfolios, such as has characterized most other government changes during the last decade, would not provide the impetus needed to plan or implement essential reforms.

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CHILE: The resignations from the Radical Party of nearly half of its legislators will complicate President Allende's political balancing act.

The 12 dissident deputies and senators speak for a faction defeated at a recent convention of the Radical Party (PR), which is the only significant non-Marxist party in Allende's Popular Unity (UP) coalition. At the convention the PR adopted Marxist ideology in all but name, and the party was completely restructured to give its leftist leadership tight central control. Allende reportedly made a major effort to avert the breakoff of the centrists, who call themselves the Independent Radicals and have fairly strong electoral bases. Despite the PR's decline from Chile's major party to only eight percent of the vote in April's municipal elections, it has provided Allende with a vital electoral margin and the justification for claiming that the UP is not strictly Marxist.

The President may try to shore up this image of non-Marxist pluralism by soliciting support from the Radical defectors and the leftist group that recently broke from the Christian Democratic Party. This, however, will be difficult to accomplish without exacerbating internal dissensions that already strain the six-member UP.

One of the major differences is whether to try to force a plebiscite in order to dissolve congress and create a unicameral "popular assembly." The Independent Radical legislators reportedly oppose both that initiative and any move to hold legislative elections earlier than March 1973. Allende, too, may feel the push for an early plebiscite is mistaken.

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INDIA: Parliament and the press, which have repeatedly criticized foreign oil companies, are now demanding government action against these companies to counter crude oil import price increases above the level agreed at the Tehran settlement earlier this year.

The minister for petroleum and chemicals has responded to the demands by noting that nationalization of the foreign oil companies, equity participation, or a revision of existing refinery agreements to permit the government greater latitude in importing oil are all under consideration. The finance minister is reported to have assured a government committee studying the problem that sufficient funds are available to finance whichever course is decided upon.

Nevertheless, India's heavy dependence on crude oil imports, which now amount to about \$140 million annually and are expected to more than double by 1975, as well as its current dispute with Pakistan is likely to prevent the government from being stampeded into any immediate moves. The defense minister reportedly has cautioned that this is not the time to "rock the boat" on petroleum. [REDACTED]

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WEST PAKISTAN: Businessmen do not share the government's sanguine short-run outlook for the economy in the West wing. They are concerned about the threat of war with India, continued instability in East Pakistan, uncertain prospects for foreign aid, and higher taxes. Disrupted cash inflows from the East wing are causing financial difficulties for them and in mid July the Karachi Stock Exchange sensitive index was at its lowest point since January 1965. President Yahya Khan's chief economic adviser, nevertheless, is encouraged because export markets have been found for a large share of the goods previously sold to East Pakistan. He notes one element of optimism among businessmen. He claims they believe that by early next year they will be able to export elsewhere almost all such goods. This expectation, however, may not be fulfilled. [REDACTED]

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YEMEN (SANA): Commander in chief Hasan al-Amri may be returning tomorrow to Yemen from Cairo to form a new government. The reported return of the opportunistic general follows apparently fruitful talks with Yemeni officials last week in Cairo, where they had stopped over on their way back from the recent Arab summit conference in Tripoli.

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[redacted] last week seven "left-wing" army officers were arrested for plotting to impose military rule in Sana. Whether al-Amri takes on the premiership now will depend on the degree of support he can muster from conservative elements in the army. [redacted]

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TURKEY - COMMUNIST CHINA: Turkish recognition of the People's Republic of China (PRC) was announced in a joint communiqué yesterday. Ambassadors, however, reportedly will not be exchanged until early next year. The communiqué characterized the PRC as the "sole legal government of China," a phrase used in recognition statements by several governments. Although Ankara indicated at the same time that it intends to vote for the admission of the PRC to the UN this fall, the Foreign Ministry has stated publicly that Ankara will oppose any move to expel the Chinese Nationalists. Recognition was not without opposition in Turkey. This came too late to alter the timetable, but the Erim government has nevertheless left itself open to domestic criticism. [redacted]

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TURKEY: Martial law authorities are exercised over recent acts of violence, including the spectacular robbery of a bank truck in Izmir and an explosion that severely damaged a student hostel in Istanbul, which they view as a deliberate challenge to their ability to maintain law and order. These acts have been attributed to members of the Revolutionary Youth Federation. The military authorities are particularly sensitive to any suggestion that they cannot prevent politically inspired violence, and to reduce publicity have ordered the press not to identify any criminal act as politically motivated. Any increase in violence could lead to more stringent security measures including curfews and personal document checks. [REDACTED]

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